

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Incorporated for Approval of an Increase for Water and Sewer Rates, Terms and Conditions)))))	SOUTH CAROLINA OFFICE OF REGULATORY STAFF REPLY TO DAUFUSKIE ISLAND RESPONSE TO THE ORS MOTION TO COMPEL PRODUCTION OF DOCUMENTS BY DAUFUSKIE ISLAND UTILITY COMPANY, INC. OR, ALTERNATIVELY, TO STRIKE TESTIMONY
--	-----------------------	--

Pursuant to S.C. Code Ann. Regs. § 103-829 the South Carolina Office of Regulatory Staff (“ORS”), by and through counsel, hereby submits this Reply to the Response of Daufuskie Island Utility Company (“DIUC”) (“Response”) filed with the Public Service Commission of South Carolina (“Commission”) on September 3, 2020.

“Objective and measurable framework.” It is this framework under which ORS conducts its regulatory responsibilities and the framework that the South Carolina Supreme Court mandated be followed in its opinion reversing Commission Order No. 2018-68. According to the Court, “[i]n this reversal and remand, we do not address the merits at all. In reversing the commission twice, we do not intend to make any suggestion of our views of the merits. Rather, we simply require the commission and ORS evaluate the evidence and carry out their important responsibilities consistently, within the ‘objective and measurable framework’ the law provides. [citation omitted].” Despite this language, the recent actions of DIUC would lead the Commission to render that language hollow.

ORS is under a statutory obligation to represent the public interest.¹ Additionally, when considered necessary and in the public interest, ORS must “review, investigate, and make appropriate recommendations to the commission with respect to the rates charged or proposed to be charged by any public utility,” and “make inspections, audits, and examinations of public utilities regarding matters within the jurisdiction of the commission.”² In order to make a recommendation that is the most meaningful, ORS requires all relevant data underlying a utilities’ assertions. As an initial step in completing its objective and measurable review, ORS audits invoices and reconciles the invoices with the corresponding expenses for which a utility seeks recovery from its customers. In order to accomplish this significant task, ORS requested DIUC provide “all documents that support Rate Case Expenses of \$269,356 as identified in the Second Rehearing Direct Testimony of John F. Guastella (p.17, l. 6) including, but not limited to, the calculation, reconciliation and vendor invoices.”³ (emphasis added). In this proceeding, DIUC failed to reconcile the expenses “as identified in the Second Rehearing Direct Testimony of John F. Guastella” to invoices incurred. In other words, DIUC has provided invoices, however it has failed to reconcile the expenses it now seeks with the invoices it claims support those expenses. Moreover, despite the inflammatory and incorrect assertions made by DIUC in its Response

¹ S.C. Code Ann. § 58-4-50(A)(1)-(2) states “(A) It is the duty and responsibility of the regulatory staff to:
(1) when considered necessary by the Executive Director of the Office of Regulatory Staff and in the public interest, review, investigate, and make appropriate recommendations to the commission with respect to the rates charged or proposed to be charged by any public utility;
(2) when considered necessary by the Executive Director of the Office of Regulatory Staff and in the public interest, make inspections, audits, and examinations of public utilities regarding matters within the jurisdiction of the commission. The regulatory staff has sole responsibility for this duty but shall also make such inspections, audits, or examinations of public utilities as requested by the commission....”

² South Carolina Code Ann. § 58-4-50 (Supp. 2019).

³ South Carolina Office of Regulatory Staff First and Continuing Request for Production of the Second Remand, question 1-1.

otherwise, this request to reconcile certain expenses (requested to be recovered) to invoices is a basic request used as part of any audit.⁴

Both DIUC and Mr. Guastella are familiar with the regulatory audit process. Accordingly, it should come as no surprise that ORS requires expenses sought for recovery to be tied back to specific invoices. In order for ORS to objectively evaluate the expenses and apply a measurable framework, DIUC must reconcile the invoices incurred to the \$269,356 in rate case expenses that DIUC now seeks from its customers.

Based upon the aforementioned, ORS respectfully moves the Commission to grant its Motion to Compel and require DIUC to reconcile the invoices incurred to the \$269,356 that DIUC seeks from its customers or in the Alternative to Strike certain Testimony of Mr. Guastella.

Respectfully submitted,

SOUTH CAROLINA OFFICE
OF REGULATORY STAFF
By:



Andrew M. Bateman, Esquire
Jeffrey M. Nelson, Esquire
SOUTH CAROLINA
OFFICE OF REGULATORY STAFF
1401 Main Street, Suite 900
Columbia, South Carolina 29201
Phone: (803) 737-8440
(803) 737-0889
Fax: (803) 737-0895
E-mail: abateman@ORS.SC.Gov
jnelson@ORS.SC.Gov

September 8, 2020
Columbia, South Carolina

⁴ A brief, and non-exhaustive, list of recent Dockets in which ORS has audited expenses by reconciling certain invoices with expenses would be: Docket Nos. 2018-318-E, 2018-319-E, 2019-290-WS, and 2019-64-WS.